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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992 — **Commission file number 33-4918**

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____ to ____

ALOETTE COSMETICS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	**23-2056003** (I.R.S. Employer Identification No.)
1301 Wright's Lane East, West Chester, PA (Address of principal executive office)	**19380** (Zip Code)

(215) - 692 - 0600
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, no par value - 2,155,253 shares as of May 14, 1992.

EXHIBIT INDEX APPEARS ON PAGE 14 OF THIS FORM.

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ALOETTE COSMETICS, INC. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 4,557,818	$ 4,496,445
Short-term investments	1,242,831	1,481,828
Accounts receivable, less allowance of $60,000 and $70,000	3,049,513	2,669,309
Current portion of notes receivable, less allowance of $20,000 and $20,000	605,664	620,100
Inventories	6,384,816	6,805,983
Deferred income taxes	521,012	510,458
Prepaid expenses and other current assets	808,913	852,917
Total current assets	17,170,567	17,437,040
Investments	271,580	371,580
Cost in excess of net assets acquired, net	1,198,177	1,225,831
Notes receivable, less current portion	1,249,306	1,332,572
Property, plant and equipment, net	6,365,955	6,445,297
Other assets	594,204	573,377
Total assets	$26,849,789	$27,385,697
LIABILITIES		
Current liabilities:		
Notes payable, banks	$ 2,630,000	$ 2,780,000
Current maturities of long-term debt	2,139,795	2,168,262
Accounts payable, trade	910,194	1,037,921
Accrued expenses	1,006,558	995,391
Dividends payable	172,420	172,420
Accrued compensation and benefits	100,632	202,504
Current portion, deferred franchise fee revenue	217,186	189,496
Total current liabilities	7,176,785	7,545,994
Long-term debt, less current maturities	3,985,591	3,990,028
Deferred franchise fee revenue, less current portion	369,770	425,076
Total liabilities	11,532,146	11,961,098
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common stock, no par value, 20,000,000 shares authorized, 2,963,134 shares issued	25,000	25,000
Additional paid-in capital	7,588,495	7,588,495
Guarantee of Employee Stock Ownership Trust borrowings	(55,974)	(82,731)
Cumulative currency translation adjustments	466,216	768,762
Retained earnings	16,069,332	15,900,499
Less: Common stock in treasury, at cost, 807,881 shares in 1992 and 1991, respectively	(8,775,426)	(8,775,426)
Total shareholders' equity	15,317,643	15,424,599
Total liabilities and shareholders' equity	$26,849,789	$27,385,697

See accompanying notes

ALOETTE COSMETICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31, 1992	1991
Revenues:		
Net product sales	$ 4,392,542	$ 4,923,163
Revenue from franchise operations	624,429	678,998
Sales of franchises	66,389	53,765
	5,083,360	5,655,926
Costs and expenses:		
Cost of product sales	2,740,539	2,912,856
Selling, general and administrative	1,832,354	1,813,428
Sales of franchises	1,000	2,689
	4,573,893	4,728,973
Operating income	509,467	926,953
Other income, net	(28,584)	191,019
Income before income taxes and extraordinary item	480,883	1,117,972
Provision for income taxes	210,000	450,000
Net income before extraordinary item	270,883	667,972
Extraordinary item - tax loss carryforward	70,370	-
Net income	$ 341,253	$ 667,972
Per share data:		
Earnings before extraordinary item	$.13	$.23
Extraordinary item	$.03	-
Earnings	$.16	$.23
Dividends	$.08	$.08
Weighted average shares outstanding	2,155,253	2,933,134

See accompanying notes

ALOETTE COSMETICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Cash flow from operating activities:		
Net income	$ 341,253	$ 667,972
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation & amortization	168,187	127,748
Reduction in guarantee of Employee Stock Ownership Trust borrowings	26,757	24,648
Provision for doubtful accounts and notes receivable	(9,050)	20,439
Loss on disposal of property, plant and equipment	1,500	-
Franchise fee revenue	(66,389)	(53,738)
Deferred income taxes	21,000	-
Other	15,435	5,808
Changes in operating assets and liabilities:		
(Increase) in receivables	(415,911)	(484,451)
(Increase) decrease in inventories	330,822	(819,783)
(Increase) decrease in prepaids and other current assets	3,749	(443,886)
Decrease in accounts payable and accrued expenses	(230,602)	(211,601)
Net cash provided by (used in) operating activities	186,751	(1,166,844)
Cash flows from investing activities:		
Proceeds from sale of investments	335,000	1,262,000
Purchase of investments	-	(1,090,000)
Proceeds from repayment of notes receivable	106,956	102,082
Notes granted to franchises and affiliates	-	(517,822)
Purchase of property, plant, and equipment	(93,005)	(589,324)
Repurchase of franchise territories	(23,696)	-
(Increase) in other assets	(15,363)	(23,011)
Net cash provided by (used in) investing activities	309,892	(856,075)
Cash flows from financing activities:		
Dividend payments	(172,420)	(234,651)
Repayment of notes payable, net	(150,000)	(293,570)
Payment of long-term debt	(32,332)	(27,758)
Additional long-term debt	1,908	59,506
Net cash (used in) financing activities	(352,844)	(496,473)
Effect of exchange rate on cash	(82,426)	18,302
Net increase (decrease) in cash and cash equivalents	61,373	(2,501,090)
Cash and cash equivalents at beginning of year	4,496,445	6,180,920
Cash and cash equivalents at end of period	$ 4,557,818	$ 3,679,830

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ALOETTE COSMETICS, INC. AND SUBSIDIARIES

MARCH 31, 1992

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepte_ accounting principles for 'nterim financial information and the instructions to Form 10-Q and kule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

2. Inventories

At March 31, 1992 and December 31, 1991, inventories consist of the following:

	1992	1991
Finished goods	$3,638,610	$4,043,671
Work-in-process	176,046	77,503
Raw materials	2,570,160	2,684,809
	$6,384,816	$6,805,983

3. Supplemental Cash Flow Information

Noncash investing and financing activities:

During the first three months of 1992, the Company sold a franchise territory for franchise notes receivable of $40,000.

In March 1992 and 1991, the Company declared a quarterly cash dividend of $172,420 and $172,420 payable in May 1992 and 1991, respectively.

Net cash paid during the three months ended March 31, 1992 and 1991 for interest and income taxes was as follows:

	1992	1991
Interest	$ 177,161	$ 47,285
Income taxes	14,957	529,777

4. Litigation

On January 15, 1991, Superior and the Company were named as defendants in a lawsuit filed in the U.S. District Court by a former employee alleging age discrimination (the "Federal Court Action"). On May 3, 1991, Superior and Company were named as defendants in a lawsuit filed in Texas State Court by four other employees alleging violations of the Texas Commission on Human Rights Act (the "State Court Action"). Both actions sought injunctive relief and damages. Both actions were referred to mediation. The Federal Court Action was settled during 1991 for an immaterial amount. Subsequent to mediation, settlement discussions ensued in the State Court Action; however, such matter has not been settled. Although management has insufficient information at this time upon which to base a final conclusion concerning the State Court Action and, therefore, can give no assurances as to its ultimate outcome, after taking into consideration special legal counsel's evaluations of such action, management is of the opinion that its outcome, if determined adversely against the Company, will not have a material adverse effect on the Company's consolidated financial position.

On August 6, 1991, the Company and Superior (collectively, the "Companies") filed an action against a former officer of Superior. In this action, the Companies allege that a former officer of Superior breached her fiduciary duty to the Companies, defrauded the Companies, interfered with contractual and business relationships with their customers, engaged in deceptive trade practices, and violated the Racketeer Influenced and Corrupt Organizations Act. The Companies have sought injunctive relief, and actual, consequential and exemplary damages in an unspecified amount. The former officer filed a counterclaim in this action seeking damages in excess of $6.0 million. This matter is likely to go to trial some time in 1992. Management, after consultation with special legal counsel, believes that the Companies' position in its claims is meritorious, that an unfavorable outcome with respect to the counterclaim is unlikely, and it intends to pursue this action vigorously.

From time to time, the Company is a defendant in litigation arising in the normal course of business. Management and legal counsel do not believe that any settlement resulting from such litigation will have a material adverse effect on the Company's consolidated financial position.

5. Recognition of Extraordinary Tax Benefit

In the first quarter of 1992, the Company recognized a $70,370 extraordinary tax benefit from the utilization of a net operating loss carryforward of one of its subsidiaries. The recognition of this extraordinary item resulted in earnings of $.03 per common share. Another subsidiary of the Company currently has available approximately $167,000 in net operating loss carryforwards which expire in 2004.

6. Company-owned franchises

In January 1992, the Company repurchased one of its domestic franchises for approximately $24,000 in cash. The franchise is currently being operated by the Company and contributed $149,000 to consolidated net product sales from its date of acquisition through March 31, 1992. The Canadian-owned franchises repurchased in June 1991 contributed $81,000 to consolidated net product sales in the first quarter. The franchises had an immaterial effect on consolidated results of operations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

ASSETS:

In the first quarter of 1992, investments decreased approximately $340,000 from year-end balances as existing cash balances and cash from operations were used to pay dividends of approximately $172,000, repay $150,000 against the outstanding borrowings under the Company's line of credit, and purchase approximately $94,000 of property, plant, and equipment. The increase of approximately $380,000 in accounts receivable is primarily attributable to the timing of billings related to the Company's annual seminar and an increase in franchise product purchases related to traditionally higher sales levels in the second and third quarters. The decrease in inventories of approximately $421,000 resulted from reductions in stock levels related to Aloette skin care products being produced by an outside manufacturer and new product introductions in March 1992

LIABILITIES AND SHAREHOLDERS' EQUITY:

Notes payable decreased approximately $150,000 reflecting payments against outstanding borrowings under the Company's lines of credit. The decrease of approximately $102,000 in accrued compensation is attributable to the timing of the funding of the Company's pension liability which was paid in the first quarter in the current year versus the second quarter in the preceding year.

RESULTS OF OPERATIONS:

Revenues

The decrease in total revenues of approximately $573,000, or 10%, was primarily attributable to an overall decrease in net product sales to the Company's franchises and at Superior Products, its Dallas-based manufacturing facility. The current year's net product sales, which include approximately $230,000 in sales from the company-owned franchises, exclude sales from the Company's Canadian manufacturer, Spectrum Cosmetics, whose operations will be consolidated with Superior's under a restructuring plan announced in January 1992. Spectrum's sales totalled $183,000 for the period from January 1, 1991 through March 31, 1991. Net product sales to Aloette franchises decreased 7% from $3.8 million in the first quarter of 1991 to $3.5 million in the first quarter of 1992 as sales to domestic franchises were down 6% and sales to Canadian franchises were down 9%. Net product sales to the Company's franchises were impacted by a change in timing of the Company's annual seminars--which are attended by the large majority of franchise owners and Beauty Consultants--from the third quarter in previous years to the first quarter in the current year. The Company is in the process of implementing new sales and marketing strategies to achieve long-term sales objectives, however, these programs are not expected to significantly impact sales until late 1992 or 1993. Accordingly, management believes that net product sales to Aloette franchises will be flat or slightly under 1991's results at least until late in the third quarter.

Worldwide retail sales--sales from the franchises to their customers--decreased 6% in the first three months of 1992 from $14.3 million in 1991 to $13.5 million in 1992. Correspondingly, revenue from franchise operations, which represents a royalty fee received from Aloette franchises based on their retail sales, decreased $55,000 from the prior year period. The Company expects that the trend in retail sales will follow that of net product sales

Product sales at Superior totalled approximately $637,000 for the first quarter of 1992 representing a decrease of approximately $223,000 from the same period in 1991. This decrease was primarily related to a decrease in sales of processed aloe vera. At this point in time the Company has no plans to continue to produce and distribute processed aloe vera.

COST OF PRODUCT SALES:

Cost of product sales increased to 62% of net product sales in the first quarter of 1992. This level represents a 3% increase over the same period in the prior year, however, it is consistent with the level experienced overall in 1991. Cost of goods sold as a percentage of net product sales continues to be unfavorably impacted by the effect of lower unit volumes resulting in higher manufacturing overhead costs due to the transfer of Aloette's skin care production from Superior Products to an outside manufacturer. The Company is currently in the process of renovating the Dallas manufacturing facility to accommodate production of cosmetics products and improve production efficiencies; these renovations are expected to take the better part of 1992. Accordingly, production of Aloette skin care and cosmetic products is expected to be phased in at Superior's facility in Dallas during the third and fourth quarters of 1992.

EXPENSES:

Selling, general and administrative expenses increased to 36% of total revenues from 32% in 1990. Total selling, general and administrative expenses were relatively constant with first quarter 1991's levels as increases attributable to the development and implementation of new marketing and sales strategies were offset by decreases at Superior Products and the elimination of Spectrum Cosmetics. Management expects that this trend will continue throughout the remainder of the year.

OTHER INCOME:

The decrease of approximately $220,000 in other income is primarily related to the additional indebtedness incurred to finance the April 1991 treasury stock purchase and the effect of lower rates on reduced average cash balances.

EXTRAORDINARY ITEM:

The Company recognized a $70,370 extraordinary tax benefit from the utilization of a net operating loss carryforward of one of its subsidiaries. The recognition of this extraordinary item resulted in earnings of $.03 per common share.

NET INCOME:

Net income for the first quarter 1992 decreased 49% to $341,000 from $668,000 in the prior year. Earnings per share decreased 30% from $.23 in 1991 to $.16 in 1992 on approximately 27% fewer shares outstanding. The decrease in net income was primarily attributable to the reduction of revenues from product sales to the franchises, losses attributable to Superior Products, and the decrease in other income related to the April 1991 treasury stock purchase.

LIQUIDITY AND CAPITAL RESOURCES:

At March 31, 1992, the Company held over $6.1 million in cash, short and long term certificates of deposit, and other investments. In 1992, the Company anticipates capital expenditures of approximately $1.8 million, principally related to the renovation of its Dallas-based manufacturing facility, and has scheduled debt maturity payments of $2.2 million primarily related to the treasury stock purchase. The Company believes its working capital, current financing, and available lines of credit are sufficient to cover normal and expected cash flow needs, including planned capital spending for operations, for at least the next two years.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported on the Company's Form 10-Q filed for the quarter ended September 30, 1991, on January 15, 1991, Superior Products Company ("Superior") and the Company were named as defendants in a lawsuit filed in the U.S. District court under the caption Young v. Aloette Cosmetics, Inc. et al. (Div. No. CA 3-91-0072-J, N.D. Tex.) (the "Federal Court Action") by a former employee alleging age discrimination. On May 3, 1991, Superior and Aloette were named as defendants in a lawsuit filed in Texas State Court under the caption Massingill, et al v. Aloette Cosmetics, Inc. et al. (Div. No. 91-05117) (the "State Court Action") by four other employees alleging violations of the Texas commission on Human Rights Act. Both actions sought injunctive relief and damages. Both actions were referred to mediation. The Federal Court Action was settled on or about October 1991. Subsequent to mediation, settlement discussions ensued in the State Court Action; however, such matter has not been settled. Although management has insufficient information at this time upon which to base a final conclusion concerning the State Court Action and, therefore, can give no assurances as to its ultimate outcome, after taking into consideration special legal counsel's evaluations of such action, management is of the opinion that its outcome, if determined adversely against the Company, will not have a material adverse effect on the Company's consolidated financial position.

On August 6, 1991, the Company and Superior (collectively, the "Companies") filed an action in the District Court of Dallas County under the caption Aloette Cosmetics, Inc. of Delaware, et al. v. Wright, et al. In this action, the Companies allege that a former officer of Superior breached her fiduciary duty to the Companies, defrauded the Companies, interfered with contractual and business relationships with their customers, engaged in deceptive trade practices, and violated the Racketeer Influenced and Corrupt Organizations Act. The basis of the action concerned the former officer's diversion of sales and business from Superior to an affiliated corporation of the former officer. The Companies have sought injunctive relief, and actual consequential and exemplary damages in an unspecified amount. On October 4, 1991, the court issued a temporary injunction against the former officer restraining her from soliciting certain manufacturers' representatives of the Companies and resolving certain disputes as to ownership interests in certain assets. In addition, the court ordered that a receiver be appointed for purposes of collecting receipts for sales made from the date of the officer's termination on July 23, 1991 through October 4, 1991 to determine which organization shall be entitled to such revenues. The former officer filed a counterclaim in this action alleging, among other things, illegal restraint of trade, bad faith, and mental distress, and seeks the return of certain equipment and approximately $6.0 million in compensatory damages and treble damages against the Companies. This matter is likely to go to trial some time in 1992. Management, after consultation with special legal counsel, believes that the Companies' position in its claims is meritorious, and that an unfavorable outcome with respect to the counterclaim is unlikely, and it intends to pursue this action vigorously.

From time to time, the Company is a defendant in litigation arising in the normal course of business. Management and legal counsel do not believe that any settlement resulting from such litigation will have a material adverse effect on the Company's consolidated financial position.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

Exhibit 11 - Schedule of Computation of Per Share Earnings

Reports on Form 8-K:

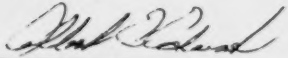
On February 21, 1992, the Company filed on Form 8-K certain information with respect to the consolidation of its two manufacturing operations.

Item 5: Other Events

SIGNATURES

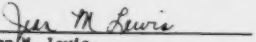
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALOETTE COSMETICS, INC.
(Registrant)



Date May 14, 1992

Albert E. Edwards, President



Date May 14, 1992

Jean M. Lewis,
Vice President of Finance
(Principal Financial Officer)

EXHIBIT INDEX

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ALOETTE COSMETICS, INC. AND SUBSIDIARIES

EXHIBIT 11

SCHEDULE OF COMPUTATION OF PER SHARE EARNINGS
for the three months ended March 31, 1992 and 1991

	1992	1991
PRIMARY		
Net income for primary income per share	$ 341,253	$ 667,972
Weighted average number of common shares outstanding during the period	2,155,253	2,933,134
Add - common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of employee stock options and warrants	6,189	4,144
Weighted average number of shares used in calculation of primary income per share	2,161,442	2,937,278
Primary income per common share	$.16	$.23
FULLY DILUTED		
Net income for fully diluted income per share	$ 341,253	$ 667,972
Weighted average number of shares used in calculating primary income per share	2,161,442	2,937,278
Add (deduct) incremental shares representing shares issuable upon exercise of stock options and warrants included in primary calculation above	(6,189)	(4,144)
Shares issuable upon exercise of stock options based on quarter-end market price	7,214	5,625
Weighted average number of shares used in calculation of fully diluted income per share	2,162,467	2,938,759
Fully diluted income per common share	$.16	$.23